

Defense Cost and Resource Center



CSDR Focus Group

***Dr. Ron Lile
Director, DCARC
March 2006***

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Agenda Topics for Discussion

- ***Introduction***
- ***Revised FG Charter***
- ***Current CSDR System Status***
 - ***Process (including DAES assessments)***
 - ***Validation***
- ***Status of CSDR Manual and DIDs***
- ***NDIA Issues***
 - ***Subcontractor Data Reporting Issues***
 - ***Definitization***
- ***Recurring/Nonrecurring Definitions***
- ***Other Stakeholder Issues***
- ***Status of FPR Data Submissions (Government Only)***
- ***Improving DoD Acquisition Execution Visibility and Control Studies (Day 2)***



Meeting Framework

- ***Exchange Information***
- ***Identify, Discuss, and Resolve Issues***
- ***For any unresolved FG issue establish***
 - ***Action Item***
 - ***Responsible Organization(s)/Individual(s)***
 - ***Due Date***

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CSDR FG Charter

Jack Cloos

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Current CSDR System Status

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Validation Metrics

1 OCT 2005 - 10 MAR 2006

Company Code	A	B	C	D	E	Total
#Total Submissions	44	23	95	42	56	260
#Acceptance	24	6	48	17	24	119
#Rejection	20	17	47	25	32	141
<i>Acceptance rate</i>	55%	26%	51%	40%	43%	46%
#Errors	73	61	203	88	150	575
Subject of Errors						
Quantity	17	16	27	21	30	111
WBS Element/Code	7	7	28	13	29	84
Consistency across forms	5	7	28	8	10	58
Subcontractor data treatment	9	5	22	4	11	51
Standard Summary Elements	6	10	12	7	7	42
ODC/Other Cost	9	2	17	3	10	41
Missing reports	2	1	11	13	7	34
Rec/NR	5	1	10	1	14	31
Parent-child relationships	6	6	3	6	8	29
Functional data	2	2	7	3	3	17
Other	5	4	38	9	21	77
#Missing Documents						
CSDR Plan	1	0	1	0	1	3
Dictionary	8	6	6	12	4	36
CDRL	11	1	6	10	6	34

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Status of CSDR Manual

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Coordination/Comments

- ***Mandatory***
 - ***Concur (with Comments)***
 - ***OUSD/AT&L***
 - ***OUSD/Comptroller***
 - ***OASD/NI&I (Networks and Integration)***
 - ***OSD General Counsel***
 - ***OSD/Washington Headquarters Services***
 - ***OUSD(I)***
 - ***OSA/Cost and Economics***
 - ***OSN/Acquisition Management***

Coordination/Comments (cont'd)

- Concur (without Comments)***
 - DoD IG***
 - OJCS***
- Awaiting Comments: Air Force Voluntary***
- NDIA***
- AF/SMC***

Next Steps

- ***Resolve issues***
 - ***Recurring/Nonrecurring***
 - ***Subcontractor Reporting***
 - ***Definitization***
 - ***Finalize Manual Organization***
 - ***Finalize DIDs***
- ***Prepare final Manual***
 - ***Submit with final coordination package to WHS for approval***
 - ***Post to DCARC web site upon approval***
- ***Anticipated Release: Summer 2006***

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DIDs

Brian Octeau

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NDIA Issues

Pete Wynne

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Recurring/Nonrecurring Definitions

Jim Myers
Jeff Cherwonik

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Options to Consider

- 1. Provide comprehensive definition of RE/NRE that works in all situations***
 - Difficulty in addressing key issues:***
 - Test Equipment & simulators***
 - SW integration, testing, & installation***
 - Correction of SW deficiencies/SW maintenance***
 - Redesign/rework/retest***
- 2. Provide definition of RE/NRE in general terms w/guidelines by commodity type***
 - E.g. Space, Aircraft, Missile, Vehicle, UAV, etc.***
 - SSCAG for Space***
- 3. Consider alternate WBS***
 - RE/NRE accounts for major items of interest***
 - Army Cost Element Structure***
- 4. Establish simplistic criteria for cost classification***

RE/NRE Definition Today

Recurring (RE) =

- ***“repetitive elements of DEVELOPMENT and INVESTMENT (i.e. Procurement) costs,***
- ***that vary with the quantity being produced***
- ***During ANY program phase.”***

-DoD 5000.4-M-1(C) (5.2.2)

Nonrecurring (NRE) =

- ***“those elements of DEVELOPMENT and INVESTMENT (i.e. Procurement) costs,***
- ***that generally occur only once***
- ***During the life cycle of the system.”***

-DoD 5000.4-M-1(C) (5.2.3)

SOME COMMON FALLICIES

- 
- ***NRE = RDT&E Appropriated items***
 - ***NRE = Whatever PM says***
 - ***NRE = Development phase only***
 - ***RE = Procurement Appropriated items***
 - ***RE = Production phase only***

- ***TRUTH: Classification as RE/NRE not tied to:***
 - 1. Appropriation***
 - 2. Program phase***
- ***OTHER TRUTHS:***
 - 1. NRE activities/costs generally occur only once***
 - 2. RE activities/costs tend to vary with quantity produced***

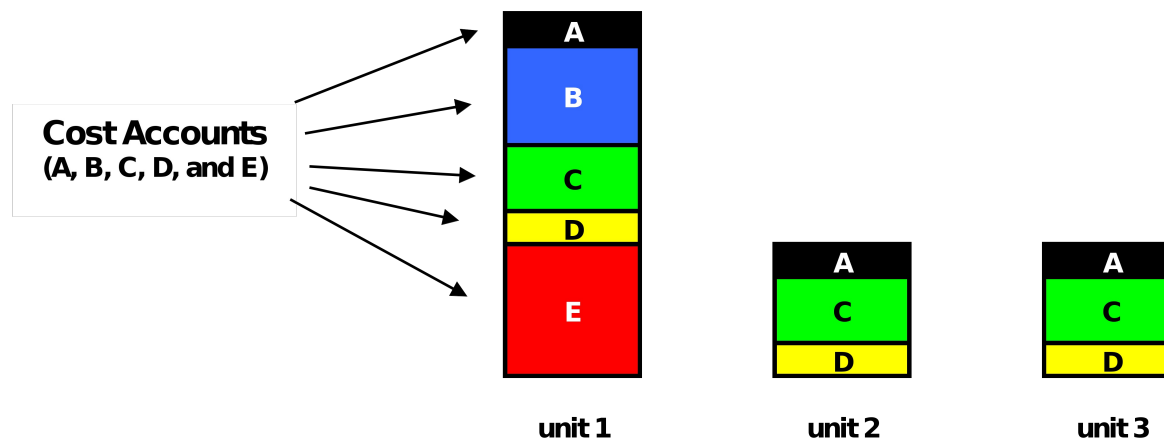
Possible RE/NRE Approach

- ***Cost classification as RE/NRE not dependent on the nature of the end item***
- ***Define what RE costs are; anything else is NRE***
- ***Ex:***
 - *Given that **n** units are built -- the activities performed and resources consumed in producing **n+1** units are those very activities and resources that are RECURRING (for any given number of units, including the first one).*

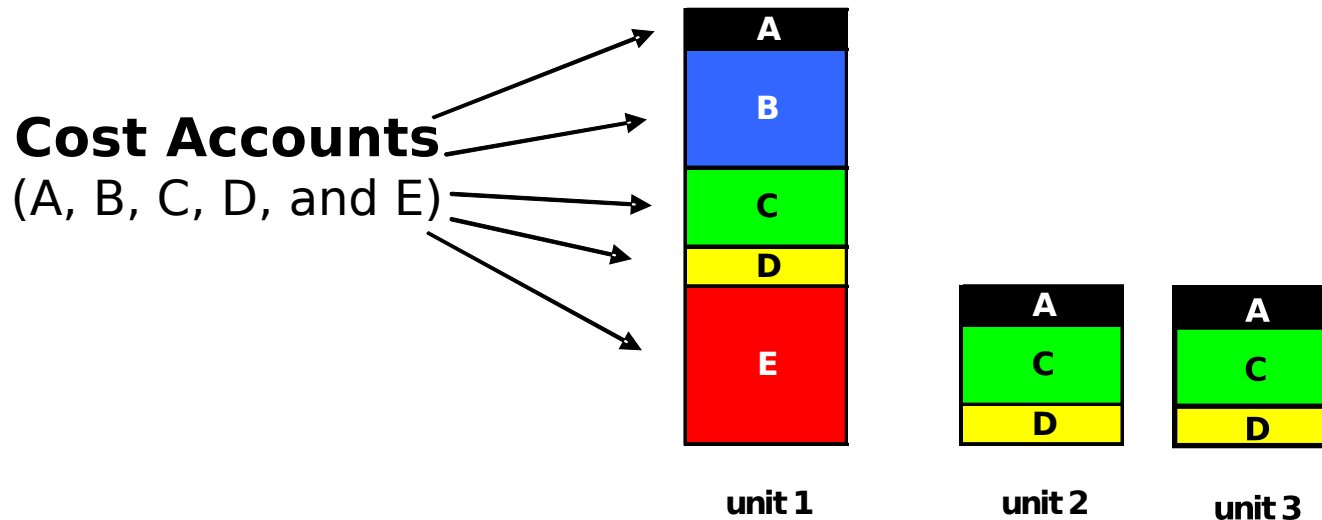
Nonrecurring VS Recurring

Example

- Assume a contractor is building one widget, and accumulating cost/hours in 5 accounts (a, b, c, d, and e).
- When asked to identify accounts that will accrue cost/hours for building the (hypothetical) second unit, let's assume the contractor replies that accounts a, c and d will incur additional cost/hours.
- Very simply we can deduce that accounts a, c, and d are recurring. The principle applies to the second unit ...AND the first unit...and to all units that follow.



Nonrecurring VS Recurring



Given that costs are repeatedly incurred in accounts a, c, and d, these costs are recurring.

Nonrecurring VS Recurring

- ***Given that costs are repeatedly incurred in accounts a, c, and d, these costs are recurring ...***
even though the units themselves are unique and nonrecurring
- ***The cost classification is not dependent upon the nature of the end unit.***
- ***There are many instances in development where there will be no follow-on units using the same materials and process. Yes, we could consider these units to be nonrecurring units - nonetheless, these nonrecurring units do indeed have recurring costs.***

Commodity Approach

- ***SSCAG defines RE/NRE in general terms:***
 - ***NRE:***
 - ***Initial Development***
 - ***Upgrades & Improvements***
 - ***RE:***
 - ***Spacecraft hardware production***
 - ***Ground hardware production & installation***
 - ***Installation of developed SW in ground stations***
 - ***Replicated space hardware in ground stations***
 - ***Spares***
 - ***Test equipment, software, & procedure maint.***
 - ***System operation & maintenance***
- ***Not tied to color of money***

Commodity Approach

- ***Provides guidelines by commodity type***
 - ***ex: Space Systems:***
 - ***Space HW & ground support equip***
 - ***Ground Station HW***
 - ***Flight & Ground SW***
 - ***SEIT/PM***
 - ***Operations & Support***
 - ***Skill Retention & Contract Closeout***
- ***Examples of guidelines provided:***
 - ***Integration & testing of SW => NRE***
 - ***Installation and check out of SW => RE***
 - ***Correction of SW deficiencies after IOC => NRE***
 - ***SW maintenance after IOC => RE***
 - ***For test equip, consider purpose of equip:***
 - ***If to support development, then NRE***
 - ***If to support operations, then RE***
 - ***If dual purpose and only one item, then RE***
 - ***If multiple items and dual purpose, then 1st NRE; remainder RE***
 - ***For SEIT/PM:***
 - ***Through requirements definition => NRE***
 - ***After design completion => RE***

Alternate WBS Approach

- ***Establish two accounts for each major item of interest (RE and NRE)***
- ***Integrate RE/NRE into WBS structure***
 - ***Ex: Army Cost Element Structure (CES)***
 - ***Segregation by color of money:***
 - ***1.0 RDT&E Funded Elements***
 - ***2.0 Procurement Funded Elements, etc.***
 - ***Elements of interest broken out in RDT&E:***
 - ***Prototype Manufacturing***
 - ***Development Tooling, etc.***
 - ***Production includes both RE/NRE aspects***

Establish Simplistic Criteria

- ***Treat all costs as NRE before CDR; RE after***
 - ***Problems include:***
 - ***RE fabrication sometimes begins prior to CDR***
 - ***Redesign/rework/retest activities might occur after CDR***
- ***Conduct a detailed review after CDR of all costs***
 - ***Segregate into RE/NRE at that time***
 - ***Could be a burden on companies***
- ***Conduct a post-award conference to establish both WBS and classification of RE/NRE***

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Other Stakeholder Issues

All

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Status of FPR Submissions

Glen Gulden

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Improving DoD Acquisition Execution Visibility and Control Studies

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Execution Visibility and Control Studies

- ***Data Policy and Process Assessment (formerly the EVMS/CSDR Integration Study)***
 - ***Objectives***
 - ***Approach***
 - ***Results to Date***
- ***Data Analysis (Other Studies)***

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Common Observations Gathered from Industry

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Overview

- ***Policies & Procedures***
- ***Central Repository***
- ***Work Breakdown Structure***
- ***RE/NRE Classifications***
- ***Functional Cost Categories***
- ***Other Common Issues***



Policies & Procedures

- ***Companies frequently not participating in CWIPTs***
 - ***Primes and subs should both participate***
- ***CSDR not used by contractor or PM to:***
 - ***Manage program***
 - ***Estimate cost***
- ***Company-wide EVM policies/processes exist; not so for CSDR***
 - ***DIDs and/or CSDR Manual typically used as substitutes***
 - ***Some Companies have policies/processes for Cost Estimating***



Policies & Procedures

- ***Barriers to internal company-wide consistency:***
 - ***Different accounting systems/CAS Disclosures***
 - ***Different contractual requirements***
 - ***Different business segment management structures***
 - ***Differences in company lines of business***
- ***Cases exist in which the government is managing contractor efforts by CLINs***
 - ***CLINs should be used solely for accounting purposes***
 - ***Companies do not manage by CLINs***



Central Repository

- ***Contractors indifferent to sending data to common warehouse***
 - ***So long as OSD doesn't call them with questions***
- ***Need consistency in data submittals as follows***
 - ***CPR Formats 1-4 using EDI ANSI 839 transaction set w/possible change***
 - ***CPR Format 5 usually in MS Word***
 - ***CFSR in MS Excel (could enter into wInsight)***
 - ***CSDR in MS Excel***
 - ***IMS using Transaction Set 806/native software***
- ***IMS could be challenging to store in central repository***



Functional Cost Categories

- ***Manually intensive effort to provide in 1921-1 format***
 - ***Today companies frequently budget to IPT structure, not cost centers***
 - ***Companies generally budget and estimate by internal functional categories***
- ***EACs for functional cost categories even more difficult***
 - ***Budgeting at Control Account level***
 - ***Actuals for functional cost categories are easy, but not for EACs***
- ***Difficulty in breaking out ODC by functional category***
 - ***Time consuming to identify what is in ODC***

Functional Cost Categories

- ***Most companies do not break out material into functional cost categories (managed at P.O. level or by type of mat'l)***
 - ***Gets allocated to functional cost categories***
 - ***Small vendors rely on billing system only; primes have to go back and estimate the actuals for them***
 - ***CSDR Manual does not address accruals of material liabilities***
- ***Difficulty in assigning some labor to functional categories:***
 - ***Product Support: could be ENG or MFG***
 - ***Financial Mgt/Program Management (not necessarily ENG)***
 - ***Numerous categories for Quality Assurance (not nec. QC)***
 - ***Quality and Tooling frequently rolled into MFG***

Work Breakdown Structure

- ***Preference to start with MIL-HDBK-881 and tailor as appropriate***
 - ***Preference for a product-oriented WBS***
 - ***But contractors follow what gov't PM tells them: will not challenge RFP***
- ***Need WBS defined to Level required as part of the RFP***
 - ***More information passed earlier the better***
 - ***Pre-Award for single source,***
 - ***Post-award for competitive***
- ***Follow-on contracts have legacy WBS; difficult to change:***
 - ***May require changes to MIS to capture new structure (\$\$)***
 - ***New data becomes inconsistent with the past***

Work Breakdown Structure

- ***Inconsistent WBS structures for CCDR and CPRs cause mapping issues***
- ***Perceived requirement to maintain static WBS for CCDR reporting***
- ***Gov't contracting personnel's misunderstanding of the Level 3 WBS leads to problems***
 - ***Violates parent/child relationships***

RE/NRE

- ***Consistent definition of RE/NRE lacking in Gov't***
 - ***In some cases, Gov't PMs/KOs dictating RE/NRE***
 - ***RE/NRE may vary by commodity class***
- ***RE/NRE costs usually approximated at some level***
 - ***Control Accounts, Work Packages, or higher***
 - ***Inconsistencies across companies and within business segments as to where RE/NRE data are identified***
- ***CSDRs only produced for a small portion of the business base***
 - ***Doesn't make sense to require RE/NRE segregation in underlying systems***
 - ***An approximation of some order may be more appropriate***
 - ***The key is to do it consistently***



Other Common Issues

- ***Need to address:***
 - ***Authorized Unpriced Work (AUW)***
 - ***Subcontractor reporting***
- ***FFP contract does not negate requirement for CSDR reporting***
 - ***Common fallacy is no data required!***
- ***Costs are high for WBS changes during contract***
 - ***New accts and mapping, renegotiating with subs***
- ***CPR includes estimated actuals, CCDR does not***

Conclusions

- ***Changes need to occur in the contracting process***
 - ***Government needs to improve consistency***
 - ***Pre/Post-award Conference key to establishing consistent WBS up front***
 - ***Need consistent definition of RE/NRE***
 - ***Consider accepting a first-order approximation of RE/NRE in lieu of changing underlying systems***
- ***Consider changing functional cost categories***
 - ***To better reflective today's management structure***
 - ***Need to coordinate w/DoD Estimating community for acceptability***